



Office of the City Manager  
City Hall – Thirteenth Floor  
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Wichita, Kansas 67202



October 26, 1999

The Honorable Mayor Bob Knight and  
Members of the City Council  
City of Wichita  
Wichita, Kansas

Dear Mayor and Council Members:

One of the primary responsibilities of the City Manager is to prepare and submit to the City Council an annual budget and work plan for the City. The **Adopted 2000-2001 Budget** continues the progressive practices of the City by extending the operating budget from the statutory one-year requirement to a two-year budget period. The governing body was also presented with the opportunity to concurrently consider the ten-year **2000-2009 Capital Improvement Program** during budget deliberations, providing the Council the opportunity to concurrently consider these bulwarks of municipal governance.

Each year at this time is when the overall direction of City government is decided. Energies focused on the aspirations of what our City can be and the challenges to those aspirations, especially financial challenges. Parameters are shaped and the stage set for the emerging years ahead. This was particularly the case this year with the upcoming operating budget that frames the first two years of the 21st Century. The capital budget extends beyond to encompass the entire first decade of the next century.

The operating and capital budgets were prepared with a commitment to meeting the highest priorities of citizens, as expressed directly and through elected representatives. The budget also seeks to balance the need for community services with the equally important need to maintain a fair and equitable service delivery and tax structure.

## **BUDGET HIGHLIGHTS**

Reflecting the diversity of Wichita, the adopted budget is extensive and complex. Key highlights of the budget are:

- ◆ The **Public Safety Initiative** that added 112 police officers is enlarged to include a 20-member School Resource Officer corps, bringing community policing into public high schools and middle schools in Wichita. The Budget also includes substantial funding for a major fire station construction program.
- ◆ An **Infrastructure Maintenance Initiative** will add contract funding and new maintenance personnel to enhance streets, parks, and facilities maintenance.
- ◆ The **Youth Initiative** expands support for services to youth, including new positions in Library and Park to take more literacy and youth recreational and enrichment programs into Wichita's neighborhoods.
- ◆ A **Quality of Life Initiative** recognizes the importance of museums, arts, and other facilities with funding increases for capital and operating support.
- ◆ No mill levy increase is required to fund the 2000 Budget, for the seventh consecutive year. Higher than expected growth in property tax receipts will permit the City to re-invest in public safety and infrastructure construction and maintenance.
- ◆ Water and sewer rate increases of 5% are approved in 2000 to support necessary utility capital improvements.

## **WICHITA ... POSITIONED FOR THE NEXT CENTURY**

In 1899, Wichita was a town of 24,670 people occupying fewer than three square miles. The first automobile came to town. Regional telephone service was just developing. At the turn of the century, the only aviation on the plains was hot air ballooning. The 1900 City Budget was \$137,950.

*The farther backward  
you can look, the  
farther forward you  
are likely to see.*

**Winston Churchill**

The last 100 years have seen Wichita grow to become the largest city in Kansas with a population of over 337,000 people within 138 square miles. Vehicles are now the primary mode of transportation. Telecommunications and technology are world-wide. Aviation manufacturing is a major industry. The Adopted 2000 City Budget is \$301,235,830.



What has not changed in 100 years are the people of Wichita. The same spirit of innovation and hard work that made Wichita continues to sustain Wichita. The 1999 recognition of Wichita as an All-America City, for the third time, reflects on how that spirit has led to many partnerships between neighborhoods, business, and government to forge a strong community.

The annual budget process is always a time of retrospect and prospect. This is more true in the last year of one century looking forward to the next century. In retrospect, Wichita can point to a proud heritage in private and public affairs. Wichita is home to an entrepreneurial business sector exporting its products and services to the world. Wichita has led the way in public life, being among the first cities to adopt the professional council-manager plan.

Prospectively, Wichita can look forward to a future built on a solid past. The past has been good; the future will be even better. As envisioned and often expressed by Mayor Knight, Wichita has positioned itself to become a world class mid-sized city. In a recent retreat, the City Council gave expression to those elements that make and will sustain Wichita's stature as a pre-eminent place to live, work, and raise a family. The retreat discussion coalesced around several focal points that reflect what has made Wichita a quality City and what has positioned Wichita to continue its prosperity into the next century: *Public Safety, Economic Development, Infrastructure, Quality of Life, Customer Service and Partnerships.*

### **Public Safety**

Over the last several years, the City has undertaken a transformation of public safety services. Police services have not only expanded with the addition of 112 new officers, a 22% increase, but have been restructured to implement community policing side-by-side with regular beat patrols. The rate of crimes in Wichita dropped more than 7% in 1998, according to FBI assessments.

In the new budget, community policing will be further expanded. A School Resource Officer Corps will take preventive police services into public high schools and middle schools.

In the decade of the 1990's, two new fire stations were added and two fire stations were relocated. A fire station location/relocation study is currently in progress with \$6 million set aside in expectation that several more fire stations will be relocated, and possibly new stations added.

The Municipal Court and Prosecutorial functions have also been addressed. From a court with a large backlog and limited collections, Municipal Court has been revamped through automation, transformation of business processes, and additional personnel. Collection of fines and penalties, one benchmark of court activities, increased 46% from 1997 to 1999.

Initiated in 1999, with full-scale use planned for 2000, Court has partnered with Public Works to begin a work program for court defendants to satisfy their court obligations. If they cannot or will not pay fines/court costs, individuals are assigned to work sites. Also planned for 2000 are enhancements in imaging that will benefit the entire criminal justice system.

Public safety is a priority for the citizens of Wichita – one that has been successfully addressed and one that will continually grow stronger. Wichita is positioned to become an even safer community in the next century.

### **Economic Development**

The City Council's goals include recognition that the City must be the State's center of economic development. This means retaining and attracting new employers; the ability to provide a trained labor force which meets job requirements both today and in the future; and the will to continue policies that grant necessary incentives for new and expanding businesses.

The City has forged alliances with the Chamber of Commerce in joint funding of an economic development office that compliments the City's own activities. Economic partnerships also extend to neighboring communities through a recently created organization known as the Regional Economic Area Partnership (REAP). REAP is comprised of public sector leaders in southcentral Kansas with the strength and fortitude to tackle tough issues that impact regional economic development. Most importantly it is a recognition that when one community benefits, the entire region benefits.

The City's premier efforts in workforce development include the Cessna Training and Development Center. This facility received recognition by President Clinton, during an on-site visit, as an innovative example of a partnership between private industry and government, working together to create a seamless environment for job readiness. By combining a safe, affordable, and on-site living environment, along with child care, unskilled workers can live and work in a campus-like setting to gain the necessary job skills to make them self-sufficient.

Job readiness is also exemplified by the City's commitment to working with major employers through the Long Range Planning Task Force. The City's role is to convene, listen and assist to help create an environment through public policy conducive to developing the job skills necessary for future growth and development.

The City Council continues to have a strong commitment to developing and enacting policies that are conducive to economic growth and development. Along with Tax Increment Financing (TIF), the steadfastness of the tax exemption policy has been a valuable tool for initiating growth in manufacturing and commercial development.

The newly enacted Neighborhood Revitalization Act (NRA) has served to enhance growth in the Core Area. This act provides a host of incentives (such as tax rebates and waivers of permits/fees) to individuals and developers who invest in designated low-to-moderate income areas in the Core Area. An Economic Development Initiative federal grant complements the NRA effort with a special loan program whereby the City and three of the largest banks in the community have teamed up to provide technical assistance and discounted interest rates for new business growth.

Wichita's efforts in economic development have resulted in 3,785 jobs created or retained through active City efforts over the past three years. Through employment

and training programs, partnerships with business and other governments, and policies conducive to growth, the City of Wichita is positioned as a leader in economic development for the next century.

## **Infrastructure**

Tied to economic development is the need for an infrastructure network that supports the full range of community activities. The commitment of the City to the infrastructure that is necessary for urban life in a modern city represents a large component of City services.

Every day in Wichita more than a 300,000 vehicles travel on 1,500 miles of roads, across 200 bridges, using 350 signalized intersections and 250,000 street signs to guide them. Each year, approximately 20 billion gallons of water are transported over 1,600 miles of water lines. And 14.5 billion gallons of wastewater are collected from 120,000 structures over 1,600 miles of sewer mains for treatment and returned to rivers and streams cleaner than the water already there. City operations and public amenities take place in more than 260 City facilities. The public enjoys over 3,700 acres of parks.

The City has assembled resources to position it to respond to a wide variety of public needs in the future. The adopted capital budget for the next decade represents over a \$1 billion investment in future infrastructure needs. The capital budget is balanced between new and expanded infrastructure, as well as major maintenance of existing infrastructure through reconstruction and rehabilitation.

Major new initiatives in the capital budget include a \$333 million freeway construction program, including \$189 million from the local sales tax. Through aggressive leadership, Wichita was able to secure federal, state and railroad funding for an \$89 million railroad overpass construction program. The City is also taking steps to make major commitments to expand the local arterial program, provide for an expanded water supply and sewage treatment capacity, and expand public facility construction.

The City's operating budget addresses the necessity to sustain through maintenance what the capital budget builds. In addition to the normal level of street and facility maintenance funds, the adopted budget provides more than \$10 million over a three-year period (1999-2001) for an accelerated maintenance program of roads, bridges and public buildings. On an ongoing basis, the

City is expanding maintenance efforts covering streets, parks, and buildings, as well as increased funding for more maintenance equipment to make personnel more efficient and effective in carrying out their mission.

Wichita, in the heartland of the United States, has roads, water and sewer services, and parks and facilities. Due to an aggressive capital improvements program and a strong commitment by elected officials to build and maintain a multipurpose infrastructure, Wichita is positioned for the next century.

### **Quality of Life**

No city is meeting the needs of its people if safety, work and streets are the only criteria. Success also means offering amenities and promoting livability. Wichita's diversity also means offering a diversity of leisure, cultural and recreational experiences.

Wichita City government is a prime sponsor of many quality of life services in the community. Libraries, recreation facilities, botanical gardens, venues for theater and symphonic productions, historical museums, art museums, public art and art education, and other programs abound.

Building on the existing base of leisure opportunities, the adopted budget is undertaking a major increase in capital and operating budget investments in public support of quality of life facilities, programs and services. In the "Museums on the River" corridor, the City will invest \$6 million in a major expansion of the Wichita Art Museum. Increased funding will ensure a higher level of facility maintenance of the Botanica and Indian Center complexes. Increases in public subsidies for Cowtown, the Historical Museum, and the Indian Center are also in the 2000 Budget.

Educational and recreational opportunities are expanded. Sunday hours at several branch libraries are increased along with increased funding for children's books and reading programs. Art education programs at the new CityArts facility will be expanded, as well as installation of a new computer art classroom and replacement of older art equipment.

Park recreation programs for youth receive a boost in funding for the Summer of Discovery program, extensive replacement of playground equipment, and a focus on neighborhood and at-risk youth recreation services. One new soccer/softball venue was constructed in south

Wichita and another soccer/baseball venue is under development in north Wichita. A new public golf course is under construction in west Wichita as part of a public-private partnership involving a new residential development.

For visitors to Wichita, a new Visitors Center has been constructed at the Wichita Boathouse, located in downtown Wichita along the Arkansas River. A staff position to support the new Visitors Center is added. State-of-the-art technology provides visitors with information on local attractions, entertainment, restaurants and lodging.

Quality of life also means a quality environment. The City has received national recognition for its program to remediate groundwater contamination cooperatively with multiple property owners and using tax increment financing. Funding is provided for two positions in Environmental Health to work with neighborhood groups in addressing neighborhood code compliance concerns.

Wichita's quality of life is an asset to be envied – the City is indeed positioned for the next century.

### **Customer Service**

As the City moves into the new century, citizen involvement in the governance process continues to grow. Neighborhood associations, increasing from eight to eighty over the last several years, now flourish. Their input is encouraged and sought in the decision-making process.

A new form of citizen involvement is in the making, one that is streamlined and involves citizens from all walks of life. The City Council has actively encouraged citizen input through public forums to discuss issues such as location of a new sewer treatment plant. This budget was developed with input from neighborhood and community leaders meeting in discussion groups, and through citizen surveys. The *2000-2001 Adopted City Budget* directly addresses the concerns voiced by the people of Wichita.

A new concept, approved in 1999, will create mini-city halls at four neighborhood locations. Citizens will be afforded the opportunity to access services from neighborhood-based facilities. Neighborhood Assistants will anchor the facilities, complemented by other staff providing health and recreation programs and services. Future activities may include staff involved in inspection and maintenance services, among others.

In park and library services, new positions are added and tasked to take reading and recreation services out of the centers and branches and into the neighborhoods.

Technology has made the City more responsive to its citizenry. Internet access affords staff the ability to communicate with citizens and business and government colleagues through electronic messaging. Additionally, a major expansion of the City's Internet web site will more fully define the array of services that can be accessed by citizens.

City staff are now "graded" on performance based upon responsiveness to citizens, as our "customers." At times, responsiveness means simply finding the answer to a question on government operations. Other times it involves breaking through "red tape" to find creative, new ways of doing business.

City staff, first through listening and then by responding to our citizen customers, are positioned for the next century.

### **Partnerships**

Customer service is all about forming partnerships with citizens, neighborhood associations, and the local business community to ensure public input in the decision making process. In many respects Wichita is a city founded on partnerships. It was a public-private partnership (with the City providing a cash incentive) that first brought the railroad to Wichita in the 1870s, making this a viable community in the West. As noted earlier, the City continues to progress through partnerships with local business through the Chamber, and regionally with other communities.

Nationally, Mayor Knight is forging partnerships through his leadership role with the National League of Cities; serving as 1st Vice President in 1999, and taking office as NLC President in 2000. Two other Council Members also serve in NLC leadership capacities due to their committee assignments. As City Manager, I was privileged to serve recently as President of the Kansas League of Municipalities, as well as on the Governor's Transportation 2000 Committee, a committee comprised of leaders throughout the state, charged with developing a transportation plan for Kansas.

Wichita city government could not perform at a high level of public service without its employees. Employees will be important partners in the success of the City in the 21<sup>st</sup> Century. Wichita has a long-standing tradition of

encouraging employee input. Long before public unions and continuing to this day, the City has worked with an Employees' Council on a wide variety of employee concerns. Employees form half or more of the membership on work groups that develop the City's health and pension programs.

Not all City employees are recognized for the good work they do. Annually one City employee receives the Excellence in Public Service award. There are many more who regularly volunteer much of their private time in community service while also serving in exemplary ways at work. Some serve on boards of community organizations. Others volunteer their time in direct service to populations with special needs. Still others serve as volunteer law enforcement officers. City employees are partners at work and in community service every day.

Wichita has used partnerships throughout its 130 year history with great success. Partnerships as a means to position Wichita for continued success into the next century will only grow in importance.

### **Positioned for the Future**

Discussions with the Mayor and Council, along with other community leaders and citizen groups, have provided key input for consideration in the formulation of the City's operating and capital budgets as Wichita moves forward to the next century. To build on the City's firm foundation, the Mayor and others have expressed the belief that the operating and capital budgets should:

- ✓ sustain the continued development of the City,
- ✓ reinvest in the City's infrastructure to serve current and future needs,
- ✓ target resources in ways that are demonstrably beneficial for the entire community,
- ✓ serve priorities and needs identified by the community (in citizen surveys) so City services are responsive to the public, and
- ✓ address major needs, such as preserving public safety, making critical capital investments and providing effective maintenance and upkeep to the City's assets.

The *Adopted 2000-2001 Budget* and *Adopted 2000-2009 Capital Improvement Program* address these expectations.

## 1999 REVISED BUDGET

The Budget includes revised estimates of current year revenues and expenditures. The procedure of revising the budget is an important element of financial management, designed to provide an updated estimate of trends in the current year and to improve budget development for the next year. In most instances, revised budgets remain within the previously adopted budget levels for each fund. Occasionally, revised estimates resulting from changing need, or Council action, mean an increased expenditure level.

For 1999, revised estimates of expenditures in the General Fund are \$142,834,930, higher than the adopted budget amount of \$137,711,190. The increased level of expenditures is due primarily to one-time expenditures for capital maintenance, economic development investments and other non-recurring expenses. These costs include: \$1.2 million for increased facility maintenance, \$1 million for fire station relocation costs, \$825,000 for Cowtown expansion, \$406,000 for the repurchase of land north of the Epic Center, and \$135,000 toward the community center component of the Auburn Hills clubhouse. Increases in one-time expenditures are offset by increases in revenues. There is no planned drawdown of 1999 General Fund cash reserves.

Debt Service Fund revised expenditures are projected at \$66,463,500, which is higher than the adopted budget of \$58,124,420, due to increases in pay-as-you-go financing as part of the Capital Improvement Program. Other funds within the 1999 Budget entail revisions based on changing needs, and are noted by fund.

## 2000 ADOPTED BUDGET

The Adopted 2000 Budget totals \$301,235,830, a .4% decrease from the revised 1999 Budget of \$302,312,510. General Fund expenditures for 2000 are \$148,533,750, a 4% increase over the revised 1999 General Fund budget of \$142,834,930.

### MILL LEVY

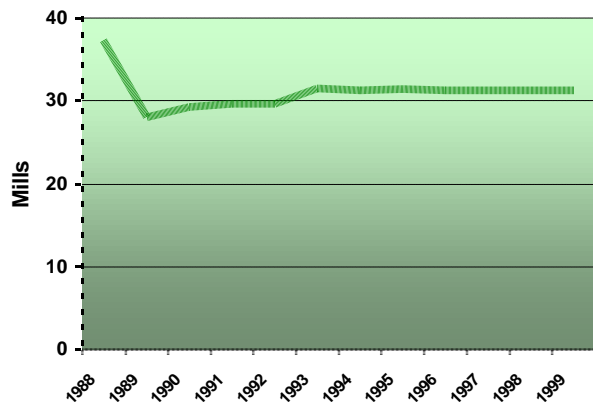
Assessed valuation is the measure of property values for taxation purposes. The County's preliminary estimate of assessed valuation is \$1,908,320,380, a projected increase of 8.5% over the previous year. Final assessed values are set (by the County) after the City's budget is adopted. The mill levy required to finance the Adopted 2000 Budget is 31.2 mills, no change from the levy

requirement for the adopted 1999 Budget. The mill levy is divided between the General Fund and Debt Service Fund as follows:

FUND	LEVY
General Fund	21.2
Debt Service Fund	<u>10.0</u>
<b>Total</b>	<b>31.2</b>

On a comparative basis with the 23 other first class cities in Kansas, Wichita remains below the 35.6 mill average. When compared with the 26 other cities within the Wichita Metropolitan Statistical Area (MSA), Wichita's levy also compares favorably with the average of 43.8 mills for combined municipal and/or fire district services. [Averages are based on 1998 tax levy information and may change as other cities adjust for 1999 tax levies to fund 2000 budgets.]

**CITY MILL LEVY**  
1988 to 1999



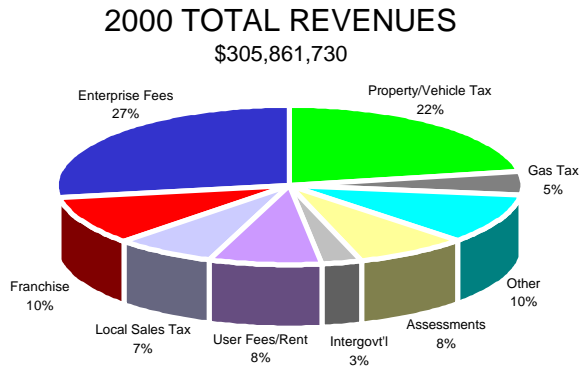
In 1999, the State of Kansas removed the tax lid from property tax levies by local governments. At the time of the tax lid expiration, the City budget was approximately 3 mills below the maximum possible tax lid. Had the tax lid remained in place, the City of Wichita would have again been well below the statutory limits.

In lieu of the tax lid, the State Legislature imposed on local governments a stipulation that the City, by ordinance, acknowledge any growth in General Fund spending based on an increase in property taxes not derived from new development, increased personal property valuation, annexation, or change in use. For Wichita, this amount is calculated at \$779,408 (.5%) of anticipated 2000 General Fund expenditures. The additional revenues are being directed to public safety, and re-investment in the City's infrastructure needs.

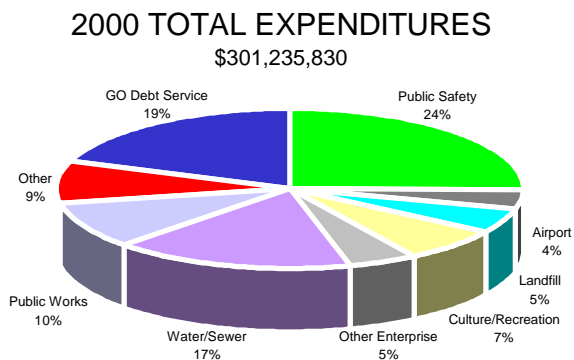


## TOTAL REVENUES AND EXPENDITURES

Budgeted revenues for 2000 of \$305,861,730 are derived from several sources (chart below). Certain major revenue categories (e.g., gas tax and special assessments) are legally dedicated resources and can only be used to offset specific expenses. Both years are exclusive of sales tax contributions to capital projects, internal services, enterprise construction and interfund transfers (eliminating double counting and co-mingling of operating and capital funds).



The City's revenue picture reflects years of effort to diversify its sources of funding for the Budget. Ad valorem property taxes represent only 19% of total revenues, less than the cost of financing Public Safety services - Police, Fire and Court. The City is not overly reliant on support from federal and state monies to fund basic municipal services.



Adopted 2000 expenditures total \$301,235,830 for all funds. Expenditures by program/service groups are summarized in the chart (above). Increases in expenditures are primarily the result of higher wage/benefit costs and landfill closure expenses, offset by reductions in debt service requirements.

Personnel costs represent the single largest expense, accounting for 41% of the total budget (64% of the General Fund). For every \$1 spent on salaries/wages,

the City will spend 314 on employee pension and insurance benefits.

General Obligation (GO) debt service, at \$59 million or 19% of total budget, is the second largest expense item. Expenditures for GO debt service are declining 8.9%, due to pay-out of existing debt. A substantial portion of contractual expenses, 20% of total budget, represents the City's efforts to contract work to the private sector.

Major expenditure highlights are presented in the following sections pertaining to specific funds within the City Budget.

## GENERAL FUND

The General Fund is the largest of the City's operational funds, accounting for nearly half of the total City budget. Public safety, public works, parks and recreation, health/human services and local tax subsidies for transit are the principal programs supported from this fund. The General Fund is one of two funds that rely upon the ad valorem property tax as a major revenue source.

Overall, 2000/2001 General Fund revenues are projected to increase an average of 3.5% annually over the two-year budget period. Higher growth rates in some revenues, driven by favorable local economic trends (e.g., the local sales tax), will offset lower growth in other revenues (e.g., motor vehicle tax and gas tax). State-mandated reductions in the motor vehicle tax formula are being phased-in from 1996-2000. The State has also placed caps on growth of gas tax and other state-shared revenues paid to cities.

The General Fund continues full support for the **Public Safety Initiative** that added 112 additional police officers (plus 15 support personnel) on the streets of Wichita, as well as support for prosecution and court services. This major effort is partially supported by federal grants that peaked in 1998 and declined thereafter. Local funding requirements for the Public Safety Initiative increase by \$1.5 million from 1999 to 2000.

Public Safety Initiative			
	1999	2000	2001
Grants	\$1.5	\$0.7	\$0.3
Local Costs	\$7.1	\$8.6	\$9.3

For 2000, the Public Safety Initiative is again enlarged to include a 20-member School Resource Officer program,

bringing community policing into public high schools and middle schools in Wichita. This special school unit will consist of eight new grant-funded officers, six officers made available through reassignment from other Police areas, and the six officers currently assigned to high schools. The Wichita Public Schools have committed to provide office space, as well as \$25,000 for equipment. The City is adding four vehicles to the fleet, and will be working to identify the ongoing funding resources after grant funding expires in three years.

Fire services are also a major focus as the City grows. A fire station location/relocation review is in progress. In anticipation of significant costs for fire station construction to implement the results from the study, \$6 million has been allocated (\$2 million from the General Fund in 1999 and 2000).

Council priorities and citizen forums and surveys have identified other essential municipal services addressed in the General Fund portion of the budget:

[1] **Infrastructure Maintenance Initiative**

As the City grows and matures, the maintenance of streets, parks, and other facilities will require additional resources. The adopted budget includes the following expanded funding, over and above current level budgets, to enhance maintenance activities:

- Core Area, \$80,930
- Landscaping, \$85,420
- Recreation, \$81,920
- Roving Maintenance, \$65,910
- Custodial & Building Maintenance, \$70,850
- Electrical Systems Maintenance, \$36,330
- Street Maintenance Equipment, \$34,800
- Maintenance in newly annexed areas, \$290,000
- Contracted Street Maintenance (1999-2001), \$6.9 million
- Contracted Facility Maintenance (1999-2001), \$3.6 million

[2] **Youth Initiative**

Continuing the City's response to the *Declaration of Interdependence* goals to support Wichita youth and their future, youth recreation facilities and enrichment programs are strengthened through:

- Children's reading outreach program, \$49,140
- Children's library books/materials, \$100,000
- Increased Summer of Discovery, \$31,110
- Neighborhood recreation specialist, \$35,150
- Park recreation for "at-risk" youth, \$100,000
- Playground equipment, \$1 million

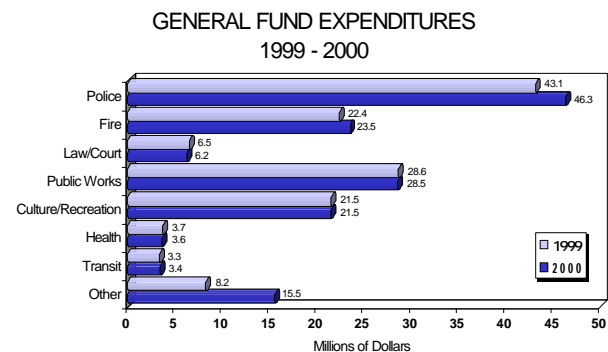
[3] **Quality of Life Initiative**

Recognizing the importance of museums, arts, and other facilities to the economic development and cultural vitality of the community, the adopted budget increases funding, above current level budgets:

- Expanded Sunday Library hours, \$35,250
- CityArts Art Education, \$69,870
- Botanica maintenance, \$59,550
- Indian Center maintenance, \$18,950
- Indian Center subsidy increase, \$11,000
- Cowtown subsidy increase, \$40,000
- Historical Museum subsidy increase, \$17,930
- Visitor Center staffing, \$19,900
- Wellington Place improvements, \$75,000
- Art Museum expansion, \$3 million

Other increases in expenditure levels are driven by higher labor costs from union agreements, moderate inflationary pressures in contractual and commodity expenses, and requirements for one-time expenditures to address critical community needs. The General Fund is balanced for 2000 at \$148,533,750 in revenues and expenditures.

The chart (below) provides an overall picture of the allocation of General Fund expenditures by general category.



The cash reserve position of the General Fund is projected to be approximately \$8 million unappropriated reserve and \$11.7 million appropriated reserve by year-end (2000). This reserve provides a margin to cover an unforeseen shortfall in anticipated revenues, unexpected expenditure requirements, or support for future year costs without a property tax increase.

The General Fund cash reserve (in total) represents 13.2% of 2000 expenditures. It is noted that even if the reserve is maintained at the same dollar amount, it will decline as a percentage of expenditures in the coming years. Significant unknowns remain on the horizon for



the City's budget in terms of its continued ability to fund the *Public Safety Initiative*, as well as the uncertainties of major revenue streams.

## **TOURISM & CONVENTION**

The financial resources for this fund are derived from a 6% transient guest tax. This fund covers debt service obligations on Expo Hall and a portion of the Lawrence-Dumont Stadium renovation, as well as tourism and convention promotion programs. The financial projections related to the Conference Center, parking structures and other infrastructure improvements associated with the new Hyatt convention hotel and the Hotel at Old Town are also incorporated into the budget. Century II/Expo Hall renovations and Expo Hall roof replacement expenses requiring a commitment of reserves are scheduled in 1999-2001, at a cost of \$1.1 million.

The Tourism & Convention Fund is projected to have sufficient revenues to cover debt service and program costs. A projected low growth rate in fund revenues, however, constrains fiscal capacity to increase funding for other convention and tourism programs.

## **LANDFILL**

The City is phasing out the Brooks Landfill operations in October 2001; after this time the County will assume responsibility for solid waste disposal services. Upon closure of Brooks, the City will have a thirty-year period of post-closure activities.

<b>Landfill Fund and Landfill Post Closure Trust Fund (Millions of Dollars)</b>			
	<b>1999 Revised</b>	<b>2000 Adopted</b>	<b>2001 Approved</b>
Revenues	\$10.3	\$ 9.9	\$ 7.3
Expenses	6.0	3.8	4.0
Trust Fund	17.3	29.0	34.0

The Landfill Post Closure Trust Fund reserve is projected at \$34 million by the end of 2001, an amount estimated to be sufficient to cover expected post closure costs, including reasonable contingencies.

## **TRANSIT**

During the 1997-1998 period, the City Council approved a Transit Fund bail-out program which substantially increased local property tax funding for transit. The

Transit Fund has now stabilized. Farebox revenues continue to have low growth. Federal operating grant support of the transit system has declined; however, Federal grant support for capital expenditures has increased. For the first time in 1999, the State authorized significant new grant funding for public transit services. In 1999, the new transit maintenance facility will opened within a few blocks of the Transit Center.

The addition of new State grant revenues will permit the City to stabilize local tax subsidies and sustain current service levels, affording the community an opportunity to focus on the longer-term future of City transit services. The Westside Circulator service, added in 1999 on an experimental basis, is retained. Plans are under development to determine where transit services can be enhanced, using the new State grant funding, through reduced headways on high volume routes, the addition of other circulator services, new buses and trolleys, and other equipment to improve transit services.

## **WATER/SEWER**

The Water Utility provides 20 billion gallons of potable water to customers annually; the Sewer Utility collects and treats 15 billion gallons of wastewater. To address community growth occasioning a higher level of service demands, the 2000 Budget includes funding to contract peak volumes of new service installations. A new meter reading crew is also added.

The Water Utility required a 5% rate increase in 1999; water rate increases of 5% in 2000 and 7% in 2001 are projected. The Sewer Utility operated in 1999 with no rate increases; sewer rate increases of 5% annually are projected for 2000 and 2001. Debt service obligations for capital improvements are the primary variable affecting the need for rate adjustments.

<b>Annual Water &amp; Sewer Rate Increases</b>			
	<b>1999 Revised</b>	<b>2000 Adopted</b>	<b>2001 Approved</b>
Water	5%	5%	7%
Sewer	0%	5%	5%

## **STORM WATER**

In 1995, the City Council reduced storm water fees by 27% (from \$1.66 to \$1.21 ERU, or equivalent residential unit). For the 1996-1999 budgets, this resulted in the City continuing basic levels of operations and maintenance;

limited "hot spots" efforts where the critical needs in the storm water infrastructure can be targeted for special rehabilitation; and a reduced level of capital project financing of \$1.5 million in new capital projects per year.

To sustain Storm Water maintenance, the 2000 Budget includes a 5% increase in the ERU of 6¢ to \$1.27. This increase only offsets higher operating costs. To fund an expanded capital program from the Storm Water Utility would require an additional 4¢ for every additional \$1 million in capital expenditures.

## **DATA CENTER / TELECOMMUNICATIONS**

The Data Center has operated as an internal service since 1988, providing computer and telecommunications systems and services to City departments. Existing major computer systems are being upgraded or replaced pursuant to the approved Management Information System (MIS) plan.

<b>Computer Systems</b>	<b># Users</b>
Public Safety	996
Office Automation	672
Utility Billing	99
Park Recreation	51
Central Inspection	67
Finance	193
Personnel/Payroll	85
Telecommunications	1,327

In anticipation of system replacement costs, replacement accounts were previously established (as old systems paid out freeing up operating income). This practice has permitted the financing of system replacement without major rate increases to users.

For 2000, the Budget funds an additional 1.5 positions to support expanding Internet efforts that provide more information to and communications with the public about City programs/services, as well as an avenue to provide economic development-related information to business prospects. Other Data Center technical staff are working to develop document imaging and geographic information systems (GIS) applications.

## **SELF-INSURANCE**

The Self-Insurance Fund has four components, each of which has restrictions: Group Life and Group Health, which the City and employees jointly fund; and Workers' Compensation and General Liability, which are employer-only funded. The Fund is evaluated annually by an

outside actuary to determine required funding and reserve levels.

The Group Health program was converted from a self-funded plan to a premium-based managed care program, *Premier Blue*, through 1999. The labor-management Health Insurance Advisory Committee explored options for health insurance coverage for 2000. Substantial increases in both employer (80%) and employee (20%) health insurance costs were unavoidable, however, no change in life insurance costs needed.

Worker's Compensation and Liability loss experience has been very favorable. Previously enacted reductions in Worker's Compensation and Vehicle Liability rates, 16% and 43% respectively, are continued in the 2000 Budget.

## **PENSION**

The City maintains separate pension systems and funds for commissioned Police & Fire (P&F) and civilian Wichita Employees Retirement (WER) employees. The pension funds (combined) experienced another favorable year in 1998 with net assets of the pension portfolios standing at \$758 million year-end. For the 2000 Budget, employer rates of contribution will remain the same at 15.9% P&F and 8.4% WER.

<b>City Retirement Systems Profile</b>	
<b><u>Police &amp; Fire (P&amp;F)</u></b>	
Employees	998
Retirees	801
Assets (millions of dollars)	\$340
Funding ratio	108%
<b><u>Wichita Employees (WER)</u></b>	
Employees	1,839
Retirees	1,016
Assets (millions of dollars)	\$418
Funding ratio	123%

Opportunities remain to improve the performance of the pension funds. A merger of the assets of the two pension funds into a single portfolio, under the oversight of a joint P&F/WER Investment Committee, will be completed by year-end 1999.

Both P&F and WER are also actively studying possible enhancements to pension benefits that may be feasible from fund savings (without an increase in the employer rate of contribution). City Council approval of any benefit changes will be required, as will employee approval if employee contributions are increased.

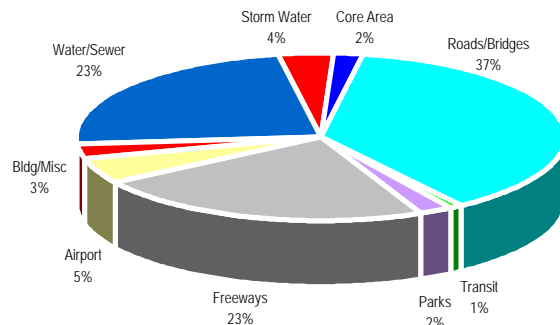
## 2001 APPROVED BUDGET

The 2001 Budget projection is for \$299,620,976 in expenditures. This represents a decrease of less than 1% from 2000. Increases from higher salary, wage and benefit costs are offset by lower expenses in the Landfill Fund. The General Fund is projected to increase in 2001 to \$153,669,490, a 3.5% increase over the 2000 Budget. The projected increase is due to higher local costs for the Public Safety Initiative as federal grant support declines, along with anticipated increases in employee salary, wage and benefit costs. No reduction in General Fund cash reserves is anticipated.

## CAPITAL IMPROVEMENT PROGRAM

The *Adopted 2000-2009 Capital Improvement Program* totals \$1.3 billion over the ten-year period. Revenues to finance this program include: Property Taxes (17%), Local Sales Tax (20%), Special Assessments (10%), Grants (21%), and Enterprise Fees (27%) from airport, water, sewer, storm water, and golf.

**2000-2009 Capital Improvement Program**  
\$1,302,599,000



The City finances capital projects in a variety of ways: general obligation bonds/notes, revenue bonds, grants, and cash. The most significant of these are General Obligation (GO) bonds based on the full faith and credit of the City. GO bonds provide debt financing not only for property tax-funded projects but for capital improvement projects where debt service payments are paid by City enterprises (e.g., Airport, Golf, etc.) and internal services (e.g., Fleet). Based on Generally Accepted Accounting Principles (GAAP), the debt service payments for General Obligation (GO) debt are spread either to the Debt Service Fund or the various enterprise and internal service funds, as appropriate.

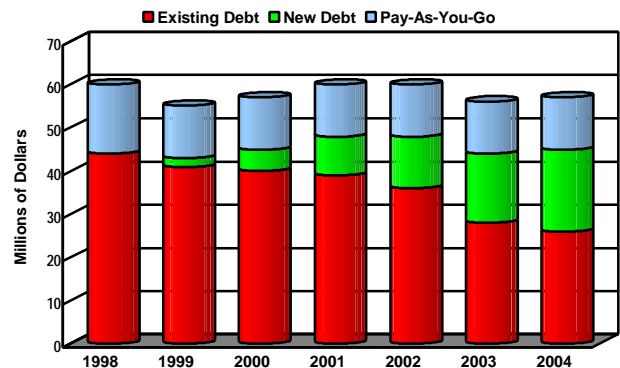
When all GO debt paid from enterprise funds, internal service funds or debt obligations with specific and restricted funding sources are netted out, there remains a group of new General Obligation capital projects which rely upon property taxes and discretionary revenues in the Debt Service Fund for funding. To the extent the (approximate) 10 mill levy is reduced (or increased), the scope of proposed at-large capital projects must be reduced (or increased) as well.

## DEBT SERVICE FUND

The Debt Service Fund pays expenditures related to most of the City's General Obligation debt. The first obligation of the Debt Service Fund is to make all debt service payments on existing City bonded indebtedness.

Based on revenue estimates and assuming a constant property tax levy (10 mills), the remaining resources of the fund are used to assume debt obligations for new capital projects. Funds not required for long-term debt are used to pay for capital project expenses in the form of temporary notes which are retired in the same year (e.g., "pay-as-you-go" financing).

**Debt Service Fund**  
Expenditure Trends



The Debt Service Fund is favorably positioned to support both existing debt and finance new capital projects shown in the *Adopted 2000-2009 Capital Improvement Program*. Cash reserves of the fund have been reduced from \$10.6 million in 1998 to \$2 million by 1999. While this reduction is substantial, the target level of reserve for this fund is not-to-exceed 5%. The fund is stable as to revenues and most expenditures are incurred late in the fiscal year.

## RESERVES

Each of the funds in the City's budget has a separate cash balance position. Cash reserves are appropriate and necessary for a variety of reasons:

<b>Revenue Volatility</b>	Funds relying on revenues that may vary significantly due to economic or other conditions (e.g., weather) will need a higher cash balance than those funds relying on more stable revenues.
<b>Timing of Cash Inflows/Outflows</b>	When either receipt of income or the payments for obligations are less predictable or subject to significant fluctuations, relatively higher levels of cash reserves may be necessary to maintain liquidity.
<b>Contingency</b>	An unencumbered cash balance provides financial resources to meet most unforeseen contingencies and liabilities while avoiding the necessity of tax/rate increases or use of "no-fund" warrants.
<b>Legal Requirements</b>	Some funds may have legal/regulatory constraints as to either minimum or maximum cash reserve levels, or a contractual obligation governing cash balances (e.g., bond covenant).

The cash reserve position is also a significant factor evaluated by bond rating agencies assessing the financial strength of a community. Cash reserves, both as to level (dollar and percentage) and trend (whether reserves are increasing, decreasing or stable), mirror the continued ability of a city to meet its obligations and the willingness of local elected officials to set tax rates commensurate with requirements for a balanced budget.

The classic definition of a balanced budget is when annually recurring revenues offset annually recurring expenditures. In some funds, expenditures are occurring at a higher rate than revenues, creating a budget imbalance and net reduction in cash reserves. This funding strategy is possible for a limited period of time if cash reserves are above target limits. As cash reserves decline, it will be necessary to restore a balance through expenditure reductions, increases in revenues, or both.

## ***BUDGET PROCESS***

### **CITIZEN INPUT ON BUDGET PRIORITIES**

As a part of the budget development process this year, Budget staff conducted an educational session with leaders from neighborhood associations and Citizen

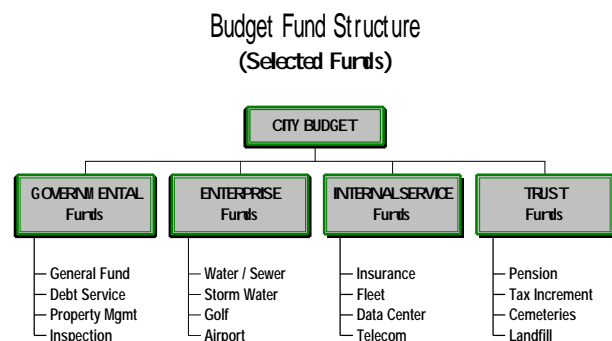
Participation Organizations (CPO). This session provided an overview of the process utilized by the City in creating the budget, a review of historical information and current trends, and a preview to upcoming budget issues. Over 60 people attended the sessions and provided feedback on budget priorities.

Making use of the IDEA Center and monthly CPO meetings, follow-up sessions with leaders identified those citizen priorities considered most relevant for review in the budget development process. The 1997 Citizen Survey of Community Needs was used, and results of the 1998 Wichita/Sedgwick County Comprehensive Plan survey were made available. Community priorities identified by the citizen participants included the following: infrastructure maintenance, community policing, investigations, fire services, and neighborhood issues (i.e., code enforcement).

Information from surveys, the IDEA Center, and citizen sessions was provided to Budget staff, Budget Review Cabinet members, and the City Manager during their reviews of budget submittals. As indicated throughout the budget, increased financial resources have been appropriated to address those community needs identified as highest priorities by citizen participants.

### **FUND STRUCTURE**

The budget document is organized to reflect the fund structure of the City's finances. The City does not have one budget but twenty funds, exclusive of trust funds, each of which is a legally separate budget. Fund revenues and expenditures are totaled together in the summary pages of the budget document as a means to provide information to the public on overall trends. Budget adoption and subsequent administration is carried out on a fund-by-fund basis.



Financial projections are tailored to each fund. Estimates and patterns of revenues and expenditures will vary by fund based on each fund's circumstance. Only two

funds, the General Fund and Debt Service Fund, include the property tax as a direct revenue source supporting fund expenditures.

### **REVENUE/EXPENDITURE FORECASTING**

The City's Budget has a multi-year focus: retrospective in reviewing the prior year (1998) actual revenues and expenditures; current in revising 1999 requirements; prospective in budgeting for the next two years (2000/2001); and forecasting an additional three years (2002-2004). Forecasting the financial future of the City is not a precise science. It requires making assumptions about the future. To the greatest extent possible, staff has sought to provide a neutral forecast that is neither too optimistic nor too pessimistic. The forecasting effort in the budget process is the product of assembling information from multiple sources, including:

- Econometric modeling of revenues based on research by Finance staff and WSU faculty,
- Input from state agencies which forecast various governmental revenues (e.g., Gas Tax),
- Local economic trends prepared by the WSU Center for Economic Development and Business Research (see pages i-vii),
- Private sector expertise on select revenue sources (e.g., franchise fees), and
- Finance and other City department staff who monitor revenue and expenditure trends.

### **BUDGET DEVELOPMENT**

The preparation of the 2000/2001 Budget is the product of a team approach. Each department was first asked to submit a 'base budget' which sought to hold the line on all expenditure increases except for demonstrable and mandatory increases. A Budget Review Cabinet (BRC), comprised of management representatives from various departments, again worked with Finance staff and the City Manager in evaluating departmental requests.

### **BUDGET ADMINISTRATION**

The budget establishes appropriation and expenditure levels. It is normal for "actual" expenditures to be below "budgeted" expenditures by year-end. Organizations often anticipate a level of such expenditure savings in the budget development.

The existence of a particular appropriation in the budget does not automatically mean funds are expended. Because of the time span between preparing the budget,

subsequent adoption by the governing body and the end of the budget year, as well as rapidly changing economic factors, each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

### **IMPROVING AND ECONOMIZING OPERATIONS**

During the course of the year, City staff will continue to focus on ways to reduce costs and improve services. Efforts are already underway in many areas, including:

- ▶ *Customer Service* – Commitment to quality and timely service to our citizens as customers, as exemplified by the neighborhood centers initiative.
- ▶ *Technology* – Evaluation of the growing array of technology options that can improve service delivery and communications, increase productivity, and reduce operating costs.
- ▶ *Quality Assurance* – Implementation of a number of quality management techniques, including employee teams, to address work-related problems and provide more cost-effective service delivery.
- ▶ *Consolidation* – Review of City programs and services to determine if redundancies exist, first internally within the City organization, second with other local governments, and where consolidation can produce cost-savings.
- ▶ *Privatization/Contracting* – Introduction of competition in operation and pricing of government services, to ascertain those services best and most economically provided by City departments and where private companies are best able to provide a service.

## ***CONCLUSION***

The sage words of Mr. Lincoln continue to ring true even as we move into a century twice removed from his time. Government exists for the purpose of carrying out those activities citizens have identified as needed, but which we must do as a community and not individually. It is Staff's task to work

*The legitimate object of government is to do for a community of people whatever they need to have done, but cannot do at all in their separate and individual capacities.*

**Abraham Lincoln**



with the Mayor and City Council and the citizens of Wichita in identifying those needs and how best to meet them.

The average home in Wichita is valued at \$77,863. City property taxes annually will amount to \$280 per year, or less than \$24 per month. A family of four will likely spend about as much (or more) per month for cable television, telephone service, Internet service, or one family trip to the movies (without popcorn). These comparisons serve to emphasize the **value** represented in municipal services. For the annual City property taxes, citizens are provided vital police and fire protection, streets, parks, libraries, and a myriad of other services.

The 2000/2001 Budget was developed with a continuing eye to enhancing the value of City services to the citizens of the community by using certain guiding principles and strategies:

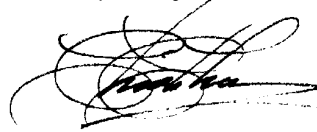
- ✓ Addressing the City Council's and the public's highest program/service goals:
  - Public safety services
  - Infrastructure maintenance
  - Youth programs and services
  - Quality of life
- ✓ Identifying financial resources to meet citizen needs and expectations for public services within a balanced budget that assures tax equity and stability.
- ✓ Improving customer service in both the quality of programs/services and responsiveness to citizens.
- ✓ Partnering within the City organization for efficiency and effectiveness; with citizens to find solutions for neighborhood concerns; with other governmental entities to promote regional problem solving; and with the private sector on economic development.

The City is positioned to make the move into the next century. Critical issues are being addressed. Wichita is a safe City moving into the 21<sup>st</sup> Century. Wichita is assured a high quality water supply moving into the 21<sup>st</sup> Century. Wichita is expanding its infrastructure network moving into the 21<sup>st</sup> Century. Wichita will sustain what it builds in the 21<sup>st</sup> Century. Wichita will nurture its youth who are the City's future in the 21<sup>st</sup> Century. Wichita is a community of people who will continue to identify needs, and then work together to meet those needs in order for the community to continue to grow and prosper into the

21<sup>st</sup> Century. Wichita is indeed positioned to take its place as a world-class, All-American City.

The budget is the best efforts of staff. It has been placed before the governing body for its consideration, amendment as deemed appropriate, and subsequent adoption.

Respectfully submitted,



Chris Cherches  
City Manager

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## ACKNOWLEDGMENTS

The City is proud to be the recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for every year continuously since 1989; we believe this budget document will also meet those standards. The City also holds the GFOA Certificate of Achievement for Excellence in Financial Reporting, having received this award for more years than any other governmental entity in Kansas. Finally, the City has received the Certificate of Excellence Award from the Municipal Treasurers' Association for its investment policy, the only governmental entity in Kansas to have received this recognition.

Formulating and preparing a budget document is the result of countless hours of work by many individuals. Department heads (and their staffs) worked diligently and are commended for their efforts. The Budget Review Cabinet did a good job in evaluating budget requests. Special thanks and appreciation are extended to the Budget Staff of the Department of Finance for their long hours and hard work: Ray Trail, Kelly Carpenter, Rob Raine, Mark Manning, Carol McMillan, Toni Wenger, Andy Hopkins, Jay Newton, Kirk Zoellner and Lisa Jones.